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C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 001950

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TAGS: [PGOV](#) [KDEM](#) [EFIN](#) [KCOR](#) [ID](#)
SUBJECT: SBY SUCCUMBS TO PRESSURE TO FORM COMMITTEE TO
INVESTIGATE BANK CENTURY BAIL-OUT

REF: A. JAKARTA 01847
[B](#). JAKARTA 1815
[C](#). JAKARTA 1862 AND PREVIOUS

Classified By: Ambassador Cameron Hume, reasons 1.4(b+d).

[1](#). (C) SUMMARY: The Indonesian Parliament's move to investigate the government bail-out of Bank Century highlighted potential fault lines in President Yudhoyono's legislative coalition and stoked public discontent with Yudhoyono's response to several national corruption scandals. On November 11, opposition lawmakers and some coalition partners petitioned to form an investigatory committee to look into the bank bailout. Initially, lawmakers from the President's Partai Demokrat (PD) refused to sign the petition claiming it was a political move to discredit the government. This refusal raised suspicions and shook public confidence in Yudhoyono's administration. Facing growing pressure after an audit of the bailout reported irregularities, President Yudhoyono directed his party to support the creation of an investigative committee. Although still early, this action may be insufficient to repair the damage to Yudhoyono's public image. END SUMMARY.

PARLIAMENT MOVES TO INVESTIGATE BANK CENTURY BAILOUT

[2](#). (C) Opposition legislators on November 11 petitioned to form a committee to investigate possible ulterior motives behind the government bailout of the ailing Bank Century. This move was prompted by the disclosure that the Bank Century bailout cost seven times the amount Parliament had originally authorized. Although most of the petitioners were from the opposition, a number were from the governing coalition. In fact, the only party that refused to sign the petition was the President's Partai Demokrat (PD).

[3](#). (C) The committee, which could censure the government and call for an impeachment, will look into whether the government either kept Bank Century open to avoid chaos in the financial marketplace or to protect wealthy private citizens, some of whom have close ties to the President and his party (reftel B). Critics of the government's move to save the bank allege that the bank was the main center for deposits used to finance President Yudhoyono's re-election campaign. To make matters worse, the Corruption Eradication Commission (KPK) began investigating allegations that the former Chief of the Police's Criminal Investigation Division, Police Chief Detective Susno Duadji, accepted 10 billion Rupiah (approximately one million dollars) from a major depositor in Bank Century, to support the depositor's attempts to withdraw funds from the failed bank. (Note: As a

result of public pressure, Susno was removed from his posting on November 24 and transferred to a non-portfolio advisor position outside of the Criminal Investigations Division. Additional details reported septel. End Note.)

PARTISAN MOVES OR CHECKS AND BALANCES?

¶4. (C) When Partai Demokrat legislators refused to sign the November 11 petition, they urged fellow lawmakers to wait for the pending Supreme Audit Board report (which Parliament had requested) before forming a committee. Nonetheless, legislators from the coalition partners Golkar, PKS and PAN signed the petition. PD began to look increasingly isolated and its coalition more fragile. While some analysts called the legislation partisan politics, others observers reiterated that the legislature should serve as more than a rubber stamp for Yudhoyono's administration.

PUBLIC DISPLEASED WITH PARTAI DEMOKRAT'S RESPONSE

¶5. (C) The media and civil society criticized PD's stance, speculating it meant President Yudhoyono had something to hide, and public support for the President began to slip. Meanwhile, evidence mounted that there could be a conspiracy behind the police's move to prosecute a number of KPK Commissioners (see septel). A survey released by research institute LSI on November 19 indicated that 74 percent of those surveyed had positive perceptions of the Parliament members initiating the investigation. Conversely, 83 percent of respondents saw PD's response as negative and 81 percent of respondents supported the Parliament demanding clarification of the Bank Century case.

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YUDHOYONO REVERSES PD POSITION

¶6. (C) Under mounting pressure, President Yudhoyono reversed his party's position November 23, publicly instructing PD legislators to support the investigation following the release of the Supreme Audit Board's report revealing possible irregularities in the government's decision to bail out Bank Century. Yudhoyono stated that neither he nor his party had benefited from the bail out and that he wanted to get to the bottom of the issue to clarify this. That said, the focus of the investigation is likely to center on two of his closest aides, Vice-President Boediono and Finance Minister Sri Mulyani. (Note: VP Boediono was Governor of the Indonesia's central bank, Bank Indonesia, at the time the decision was made to bail out Bank Century. End Note.)

PARLIAMENT TO DECIDE ON COMMITTEE SOON

¶7. (C) Civil society and many legislators alike breathed a sigh of relief when President Yudhoyono decided to support the inquiry committee. If it couldn't go forward, one legislator noted, the Parliament would not be able to provide a system of checks and balances to executive power, and might as well shut its doors. Observers noted, however, that Yudhoyono was left with little choice in the current social and political climate, particularly following the release of the report and the public outrage over the apparent framing of the two KPK Commissioners by the police. Parliament will discuss endorsing the inquiry committee in plenary sessions December 1. The overall impact of the investigation remains to be seen, particularly if it leads to possible graft within the President's party.

HUME